

Food Assistance Error Rate Report
P.A. 529 of 2002
Section 213(2)

The Food Assistance Program (FAP) operates under the federal Food Stamp Act of 1977. The program's purpose is to end hunger and improve nutrition and health. The Food and Nutrition Service, United States Department of Agriculture (USDA) administers the program at the federal level and the Family Independence Agency administers the program in Michigan. The federal government funds 100% of the cost of the food assistance provided to recipients. The state and federal government share the administrative costs of operating the program.

FIA is responsible for determining applicant eligibility and providing benefits through electronic debit cards. Under federal law, food assistance is an entitlement available to those who meet both financial and nonfinancial eligibility requirements. Generally, eligibility for and determination of amount depends on the income and the number of individuals in the household

During 2002 FIA served 326,699 households and 748,421 individuals deemed eligible for the Food Assistance Program. This amounted to \$647,851,000 in total annual benefits. Administrative costs for 2002 were \$171,536,229 of which \$89,356,535 was the state share and \$82,179,694 was the federal share.

USDA Sanctions

All states are required to conduct audits designed to measure how accurately they determine and issue benefits. If a state's error rate is above the national average for any reporting year, the federal government may impose sanctions in the form of dollar penalties. Michigan's performance relative to the error rate began to slip in 1996 and has been above the national average each year through 2001. The state and federal figures for 2002 have not yet been finalized, but Michigan was at 12.72% pending federal adjustment. The rate for the current fiscal year is 9.99% through December, 2002.

USDA has sanctioned Michigan \$64.6 million for fiscal years 1995-96 through 2000-2001. In order to reduce these sanctions, FIA entered into settlement agreements with USDA that would allow FIA to use \$26.7 million in state funds (referred to as reinvestment funds) in lieu of sanction payments. These reinvestment funds must be utilized to fund activities directly related to error reductions. In addition, substantial portions of the remaining sanction can be waived by USDA if annual error rate targets are met. It is the goal of FIA to do everything possible to minimize the sanction amount that must be paid.

Reasons for Current Problems

The following is a summary of factors that have contributed to the current problem.

- An emphasis on welfare reform implementation. FIA's priority has been on moving families toward employment and independence. Cases with earnings are significantly more error prone than those without.
- Workforce reductions in 1997 and 2002. FIA lost approximately 2700 staff under the 2002 early retirement. Prior to it FIA had 3644 specialists, carrying along with other programs the FAP caseload. Post retirement position replacement focused on specialist positions and FIA currently has 3335. Ongoing staffing studies will assist in determining the impact of this reduction.
- Hiring freezes
- Participation increases resulting in higher worker caseloads exacerbated when combined workforce reductions
- The lack of an advanced, comprehensive and integrated automated eligibility system, coupled with,
- The complexity of federal rules and regulations for administration of the program

Corrective Actions to Reduce FAP Errors

Concerted and sustained efforts have led to some improvement in recent years. A summary of major initiatives is provided below:

- **Food Assistance Case Read Sweep** 28,600 cases were read in the fall of 2002. Corrections made as a result of the sweep resulted in a cost avoidance figure of approximately \$5 million. Further, data collected during the sweep was used in the development and delivery of targeted training.
- **Technical Assistance Teams (TAT)** These specialized teams were developed to assist local offices in error analysis, process mapping and performance improvement planning. TAT teams also conduct targeted case reads. TAT teams can also be utilized to provide local, targeted training.
- **Top Ten Hit List** Cases with data elements suggesting potential error were identified. Field staff reviewed more than 48,000 cases. Corrections made as a result of these reviews resulted in a cost avoidance figure of approximately \$2.5 million.
- **Targeted Case Reading** This statewide payment accuracy activity utilizes a targeted reading form with automated support that provides individual and statewide data roll-up relative to the type and cause of errors.
- **Performance Improvement Plans** Local offices and central office administrations are required to develop and monitor plans designed to focus activity on payment accuracy improvement and accountability

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- **Policy Simplification and Systems Solutions** Recommendations of a statewide work group have resulted in policy changes, supported by system enhancements designed to result in major work saving. These are changes to shelter, heat and utility, income and worker alerts that began to roll out in the fall of 2002 and will continue through the balance of this fiscal year.

Since Director Bowler's appointment, FIA has taken the following additional steps:

- Clearly defined organization responsibility for the FAP program under Donna Mullins, Director of the Service Delivery Administration.
- Approved the structure of a coordinated FAP action plan designed to accomplish error reduction via policy and systems simplification, workload reduction and performance analysis and feedback.
- Empanelled a work group charged with integrating current automated systems

FIA leadership is committed to the delivery of quality services to its customers and to the identification of solutions that will result in improved accuracy in the Food Assistance Program. Virtually every aspect of FAP administration is currently under review. The department is cognizant however that current budgetary and staffing restrictions may make implementation of corrective action extremely difficult.